



MEMORANDUM

TO: Health Care Commission
Duane Goossen, Chair
Connie Hafenstine
Sandy Praeger
Nancy Ruoff
John Staton

FROM: Doug Farmer

DATE: April 10, 2009

SUBJECT: Medical Plan Design and Rates

The State Employee Health Plan (SEHP) currently offers three (3) plan designs. Each plan has a unique design and member cost sharing features. Exhibit A (attached) summarizes the 2009 network-only cost sharing features of each plan. Plans B and C both contain higher member medical out-of-pocket requirements than the current Plan A and have smaller enrollments. The mental health and substance abuse provision of all three (3) plan designs will be modified in 2010 to comply with the federal parity requirements.

As we have discussed at the last several Health Care Commission (HCC) meetings, to maintain the financial stability of the program, plan design and/or rate changes will need to occur for next year. The ten (10) year fund projection presented to the HCC last year assumed an increase in the coinsurance maximum for Plan A by \$100 for single and \$200 for family for the next four (4) years which is included in the 2010 plan design. The projections also included a continual three (3) percent annual migration from Plan A to Plan B.

The need for plan design changes was discussed with the Employee Advisory Committee (EAC) at their March meeting. The EAC indicated that they would prefer a combination of increased rates and plan changes. The desire was to spread the plan expense among those who use minimal services through increased rates for all and those who were higher utilizes through higher out-of-pocket costs.

It was discussed with the EAC that changes to Plan B that increase member out-of-pocket costs have limited impact due to the limited enrollment and work against the desired goal to move more members to Plan B. Even with the proposed changes for plan year 2010, Plan B will still have a higher member out-of-pocket costs than Plan A. Based upon the initial discussion, the EAC recommended the following plan design changes to Plan A:

Option 1

Percentage Reduction in Plan Expenses	Benefit Changes to Plan A	Dollar Impact of Each Change
0.64%	Increase the Plan Year 2010 deductible to \$100 single/\$200 family	\$50/\$100
0.56%	Increase the Plan Year 2011 deductible to \$150 single/\$300 family	\$50/\$100
0.07%	Increase the Plan Year 2010 coinsurance maximum to \$1,200 single/\$2,400 family	\$100/\$200
0.22%	Increase the Plan Year 2010 PCP office visit copay to \$25	\$5 each
0.17%	Increase the Plan Year 2010 Specialist office visit copay to \$50	\$10 each
0.20%	Increase the Plan Year 2010 ER visit copay to \$150	\$50 each

Staff has also developed another plan option for consideration that would require fewer plan changes to obtain the plan savings. This was also presented to the EAC and, after their review, they recommended the adoption of option two (2). This second option is as follows:

Option 2

Percentage Reduction in Plan Expenses	Benefit Changes to Plan A	Dollar Impact of Each Change
1.12%	Increase the Plan Year 2010 deductible to \$150 single/\$300 family	\$100/\$200
0.07%	Increase the Plan Year 2010 coinsurance maximum to \$1,200 single/\$2,400 family	\$100/\$200
0.20%	Increase the Plan Year 2010 Emergency Room visit copay to \$150	\$50 each

We expect that the Option 2 plan design changes would save the State \$6.2 million in Plan Year 2010.

At the March 30, 2009, meeting, the HCC requested that additional options that included higher deductibles for Plan A coupled with larger employee rate increase options be developed for consideration. Exhibits B through G provide the financial impact of each of the additional models that were requested. The models are as follows:

- Exhibit B = \$150/\$300 Plan A deductible with 7.5% rate increase
- Exhibit C = \$300/\$600 Plan A deductible with 7.5% rate increase
- Exhibit D = \$150/\$300 Plan A deductible with 10% rate increase
- Exhibit E = \$300/\$600 Plan A deductible with 10% rate increase
- Exhibit F = \$150/\$300 Plan A deductible with 15% rate increase
- Exhibit G = \$300/\$600 Plan A deductible with 15% rate increase

The financial projections outlined in each of the models include the following provisions:

- Increase the Plan A coinsurance maximum to \$1,200/\$2,400 for plan year 2010.
- Increase the emergency room copay to \$150.
- Adoption of the Caremark performance drug list

We are prepared to model any additional options the HCC may wish to see before making a decision on the plan designs and rates. If the commissioners have specific requests prior to the HCC meeting, please forward them to my attention and we will have them available so the HCC can make a decision at the April 15, 2009, meeting.

Requested Action:

Approval of plan design changes and employee rates for plan year 2010.